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HOUSE BILL 1547 By
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SENATE BILL 1806
By Dixon

AN ACT to amend Tennessee Code Annotated, Title 9, Chapter 4,
Part 55 and Title 67, Chapter 6, relative to taxation.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 67, Chapter 6, Part 3, is amended by
adding the following new section:

67-6-385.

(a) Notwithstanding any provision of law to the contrary, the state portion of the
sales and use tax on food or food products as defined in subsection (b) shall be reduced
in the following increments:

- (1) From six percent (6%) to five percent (5%) effective July 1, 2001;
- (2) From five percent (5%) to four percent (4%) effective July 1, 2002;
- (3) From four percent (4%) to three percent (3%) effective July 1, 2003;
- (4) From three percent (3%) to two percent (2%) effective July 1, 2004;
- (5) From two percent (2%) to one percent (1%) effective July 1, 2005;

and

(6) From one percent (1%) to zero percent (0%) effective July 1, 2006.

Food or food products as defined in subsection (b) shall not be subject to the state portion of the sales and use tax beginning July 1, 2006.

(b)

(1) Except as otherwise provided in this section, "food or food products" means any item that is eligible for purchase with food coupons issued by the United States Department of Agriculture pursuant to the Food Stamp Act of 1977 (7 U.S.C. §§ 2011 et seq.) as it may be amended from time to time, or any item that would be so eligible if the dealer from which the food or food products are purchased were participating in the food stamp program.

(2) As used in this section, "food or food products" does not include items sold for consumption on the premises of the dealer or items sold for immediate consumption off the premises of the dealer. "Items sold for immediate consumption" means items such as those intended to be sold in a heated state; sandwiches; salads and other dishes prepared by the dealer and suitable for immediate consumption by the purchaser or suitable for consumption after being reheated; drinks dispensed in or with a cup or glass either by a dealer or on a self-service basis by the consumer; frozen yogurt, ice cream, or ice milk sold in single or individual servings; and all food served by, or sold in or by, restaurants, fast food outlets, carryout shops (such as doughnut, ice cream, or coffee shops), lunch counters, cafeterias, snack bars, hot dog carts, hotels, caterers, boarding houses, movie theaters, concerts, athletic events, or like places of business.

SECTION 2. Tennessee Code Annotated, Section 67-6-383, is amended by adding the following new subsection:

(c) This section shall have no application to the sales and use tax exemption provided in Section 67-6-385.

SECTION 3. Tennessee Code Annotated, Section 9-4-5501(a), is amended by designating the existing language as subdivision (1) and by adding the following new subdivision:

(2) All funds received by the state subsequent to fiscal year 2000 - 2001 pursuant to the master settlement agreement entered into by Tennessee and other states, United States territories and possessions, and participating tobacco manufacturers, dated November 23, 1998, shall be allocated as follows:

(A) Such funds as the commissioner of revenue determines are necessary to the general fund for the purpose of replacing revenue lost from the sales and use tax exemption provided by Section 67-6-385; and

(B) Any remainder deposited in the reserve accounts in the state general fund created pursuant to this chapter.

SECTION 4. Tennessee Code Annotated, Section 9-4-5501(b), is amended by deleting from subdivision (1) the language "No funds in such reserve accounts shall revert to the state general fund." and by substituting instead the language "Except as provided in subsection (a)(2) of this section, no funds in such reserve accounts shall revert to the state general fund."

SECTION 5. This act shall take effect July 1, 2001, the public welfare requiring it.